

Qantas Airways Limited

1H18 Results

22 February 2018

ASX:QAN

US OTC:QABSY

1H18 Highlights

Another record performance

- Record first half Underlying Profit Before Tax (PBT)¹ \$976m, Statutory PBT \$857m
- Continued strong Group Return on Invested Capital (ROIC) of 20.9%²
- All operating segments delivering ROIC > WACC³
- Effectively managing increases in fuel costs
- Ongoing transformation on track to deliver >\$400m gross benefits in FY18

Continuing to invest for customers

- 787-9 Dreamliner entered into service, new London and Perth lounges

Balance sheet continues to strengthen

- Net debt⁴ of \$5.1b, towards the bottom of the target range
- \$500m returned to shareholders in first half
- Announced 7 cents per share dividend, unfranked, additional on-market share buy-back of up to \$378m



UNDERLYING EARNINGS PER SHARE UP 19%⁵ TO A RECORD 38.7 CENTS PER SHARE

1. Underlying PBT is a non-statutory measure and is the primary reporting measure used by the chief operating decision-making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Qantas Group. All items in the 1H18 Results Presentation are reported on an Underlying basis. For a reconciliation to Underlying PBT, please see slide 6 in the Supplementary presentation. 2. Calculated as ROIC EBIT for the 12 months ended 31 December 2017, divided by the 12-months average Invested Capital. 3. Weighted Average Cost of Capital calculated on a pre-tax basis. 4. Net debt under the Group's Financial Framework includes net on balance sheet debt and off balance sheet aircraft operating lease liabilities. For a detailed calculation of net debt target range, please see slide 12 in the Supplementary presentation. 5. Compared to 1H17.

Integrated Portfolio Provides a Stable Earnings Base



Maximising leading Dual Brand Domestic position with customer focused investments



Group Domestic¹ Underlying EBIT of \$652m supported by proactive capacity management



Continued Loyalty earnings growth² and diversification

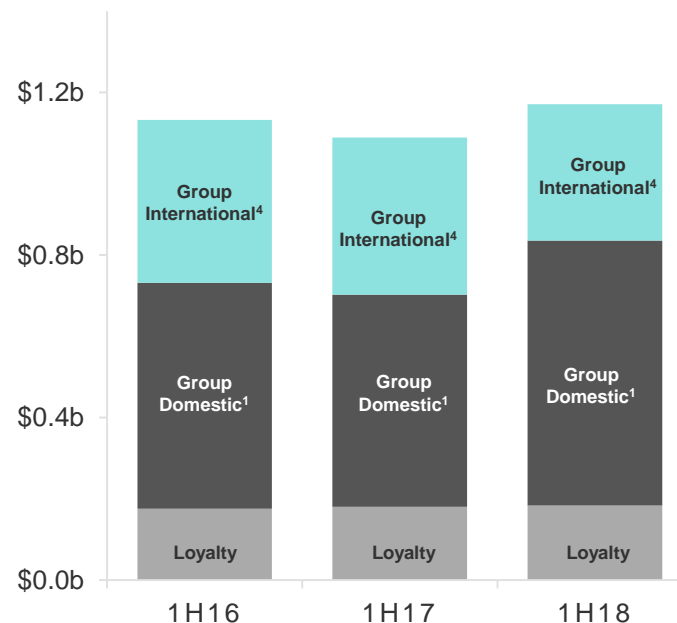


Strengthening core airline partnerships and continued Transformation to reduce earnings volatility



Highly trusted brand that supports diversification into new businesses

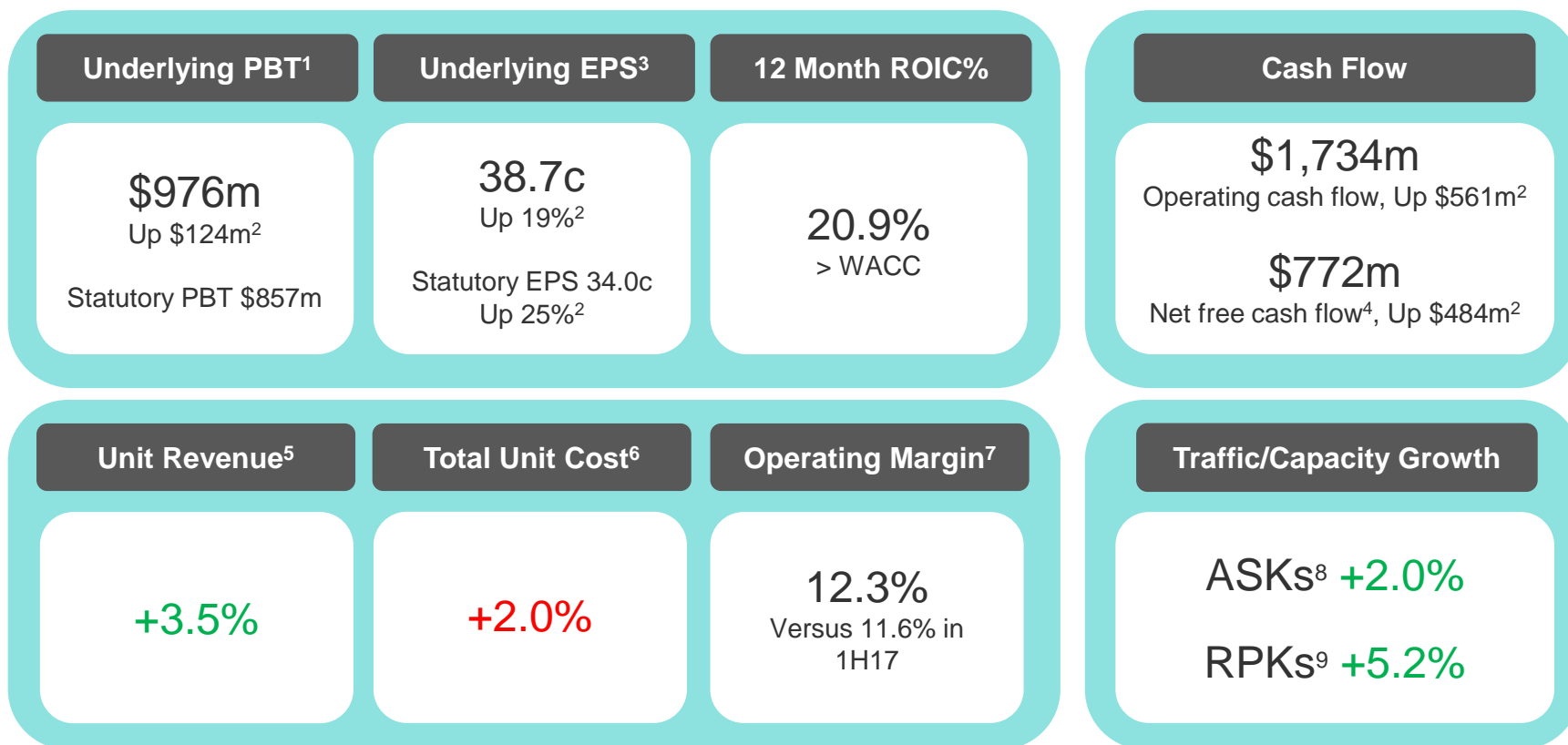
Operating Segment EBIT³



INTEGRATED PORTFOLIO PROVIDES A STABLE EARNINGS BASE

1. Group Domestic includes Qantas Domestic and Jetstar Domestic. 2. Measured on Underlying EBIT compared to 1H17. 3. Measured on Underlying EBIT. 4. Group International includes Qantas International, Qantas Freight, Jetstar International Australian operations, Jetstar New Zealand (including Jetstar Regionals), Jetstar Asia (Singapore) and the contributions from Jetstar Japan and Jetstar Pacific.

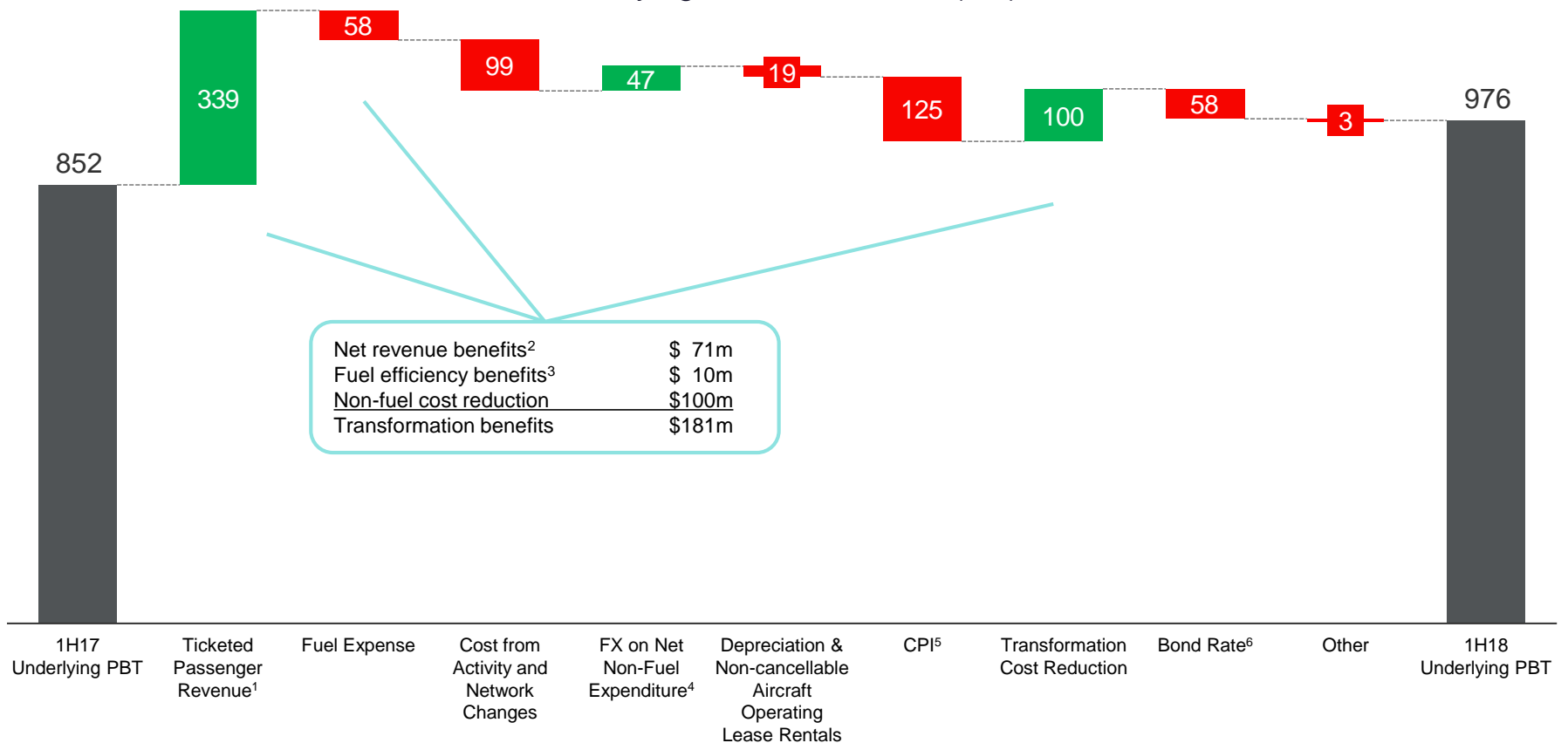
1H18 Key Group Financial Metrics



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1H18 Profit Bridge

Underlying Profit Before Tax (\$M)



1. Represents the change in Unit Revenue and Available Seat Kilometres. 2. Revenue benefits less incremental costs associated with that benefit including costs of increased activity where related to a Transformation initiative. 3. Includes reduction in consumption from fuel efficiency and reduction in into-plane costs following Transformation initiatives. 4. FX other than on ticketed passenger revenue, fuel and depreciation & non-cancellable aircraft operating lease rentals. 5. Company estimate, including wage and other inflation. 6. Revaluation impact of discount rate and other actuarial assumption changes on employee-related provisions.

Maximising Leading Dual Brand Domestic Position

Dual brand strategy at the core of Group's portfolio strength

\$652m

Record Group Domestic¹ Underlying EBIT in 1H18

>10%

>10% ROIC² for Qantas and Jetstar Domestic

~50%

More Qantas Domestic departures from capital ports³ compared to competitor

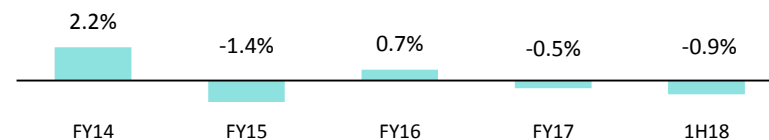
+1.9pts

Increase in operating margin⁴ at Qantas Domestic compared to 1H17

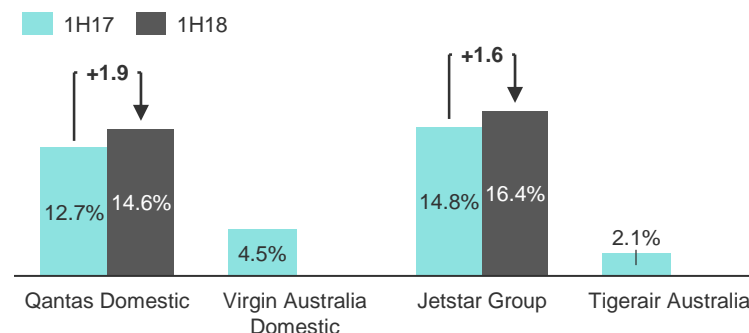
+1.6pts

Increase in operating margin at Jetstar Group compared to 1H17

Average Domestic Market Capacity Growth⁵



Growing Qantas and Jetstar Margins⁴



Note. 1H18 Competitor margins not available as at 22 February 2018

THE DUAL BRAND STRATEGY CONTINUES TO DELIVER SUPERIOR MARGINS

1. Includes Qantas Domestic and Jetstar Domestic. 2. Calculated as ROIC EBIT for the 12 months ended 31 December 2017, divided by the 12-months average Invested Capital. 3. Qantas Domestic compared to Virgin Australia Domestic for 1H18. Source Diio Mi and internal estimates. 4. Calculated as Underlying segment EBIT divided by total segment revenue. Competitor operating margins calculated using published data. 5. Compared to prior corresponding year or half year. Source: BITRE capacity data and published schedules.

Building a More Resilient Qantas International

>10%

>10% ROIC¹ since FY15

17%

Capacity growth since 1H15² achieved through increase in utilisation³ of existing group fleet

14%

Increase in utilisation of International widebody fleet since 1H15⁴

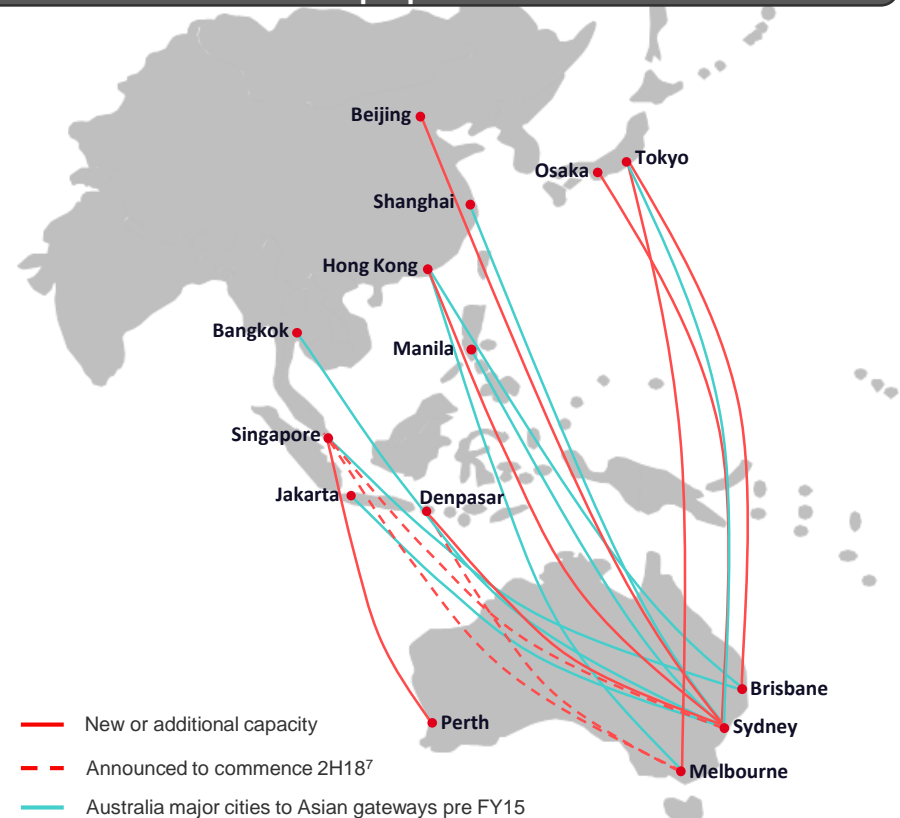
>230

Codeshare destinations across the world further enhancing network reach and Group value through alliance partnerships

37%

of Qantas International capacity devoted to high-growth Asia markets⁵ with further increases announced

46% capacity growth in Asia markets since 1H15⁶ including introduction of new routes and upgauges to improve customer proposition



1. Calculated as rolling 12 month ROIC EBIT, divided by the 12-months average Invested Capital for each financial period. 2. 1H18 ASKs compared to 1H15. 3. Average block hours per aircraft per day compared to 1H15. Based on Qantas internal reporting. 4. 1H18 widebody fleet average block hours per aircraft per day compared to 1H15. Based on Qantas internal reporting. 5. Includes South East Asia, North East Asia and Japan. 6. 1H18 ASKs in Asia markets compared to 1H15. 7. Sydney-Singapore A380 upgauge to commence 4 March 2018, Melbourne-Singapore A380 upgauge to commence 25 March 2018 and Melbourne-Denpasar route to commence 23 June 2018.

Segment Results

Qantas Domestic

- Record¹ first half Underlying EBIT and Operating Margin
- Unit Revenue up 8.6%
 - Disciplined capacity management
 - Leadership in corporate market share; growing SME² share
 - Resource market revenue growth³
- Continued cost base discipline and transformation
- Investment in customer experience
 - >30% of 737-800 fleet now Wi-Fi equipped
 - >16pts customer advocacy premium to competitor⁴
 - 86% on time performance, on par with competitor⁵
 - Resident fares introduced in selected regional markets⁶

| | | 1H18 | 1H17 | VLY % ⁹ |
|-------------------------------|-----|--------|--------|--------------------|
| Revenue | \$M | 3,070 | 2,916 | 5.3 |
| Underlying EBIT | \$M | 447 | 371 | 20 |
| Operating Margin ⁷ | % | 14.6 | 12.7 | 1.9pts |
| ASKs | M | 17,681 | 18,254 | (3.1) |
| Seat factor ⁸ | % | 78.7 | 77.3 | 1.4 pts |

MAINTAINING OUR LEADING POSITION IN THE DOMESTIC PREMIUM MARKET

1. For Qantas Domestic segment, reported as an operating segment since FY13. 2. Small to Medium Enterprise. 3. Resource market ticketed passenger revenue compared to 1H17. Based on Qantas internal reporting. 4. Customer advocacy measured as Net Promoter Score (NPS). Competitor refers to Virgin Australia. Based on Qantas internal reporting. 5. On time performance (OTP) of Qantas Domestic Mainline (excluding QantasLink) operations, measured as departures within 15 minutes of scheduled departure time. Average for the 12 months to December 2017. Source: BITRE. Competitor refers to Virgin Australia. 6. Revenue for regional non Corporate passengers on regional routes comprises 5% of Group Domestic revenue. 7. Operating margin calculated as Underlying EBIT divided by total segment revenue. 8. RPKs divided by ASKs. 9. Variance to 1H17.

Qantas International¹

- Strong Underlying EBIT and Operating Margin performance
 - Unit revenue up 0.3%² in competitive environment
- Dreamliner and new network structure will deliver benefits in FY19
 - Commenced MEL-LAX³ Dreamliner service
 - PER-LHR⁴ from March 2018; MEL-SFO⁵ and BNE-LAX-JFK⁶ Dreamliner services from September 2018
 - Dreamliner contributing to ongoing cost base transformation
- Strengthening core airline partnerships⁷
- Steady performance in freight market
- Continuing investment in customer experience
 - Customer service training completed by more than 2,000 cabin crew and frontline employees
 - New London lounge opened; new Perth lounge to open March 2018
 - Partnering with the University of Sydney's Charles Perkins Centre to improve customer in-flight well-being

| | | 1H18 | 1H17 ⁹ | VLY % |
|------------------|-----|--------|-------------------|----------|
| Revenue | \$M | 3,439 | 3,204 | 7.3 |
| Underlying EBIT | \$M | 222 | 235 | (5.5) |
| Operating Margin | % | 6.5 | 7.3 | (0.8)pts |
| ASKs | M | 34,714 | 32,756 | 6.0 |
| Seat factor | % | 84.4 | 81.3 | 3.1pts |

FLEET AND NETWORK CHANGES TO DRIVE IMPROVED⁸ PERFORMANCE IN FY19

1. The Qantas Freight segment which was previously a separate operating segment has been consolidated into the Qantas International segment. 2. Calculated as ticketed passenger revenue per ASK including FX (1.6% improvement excluding FX). 3. Melbourne – Los Angeles. 4. Perth – London. 5. Melbourne – San Francisco. 6. Brisbane – Los Angeles – New York. 7. On 16 February 2018 the ACCC issued a draft determination indicating that it proposes to grant reauthorisation for the Qantas/Emirates partnership for a further 5 years. Qantas will resubmit the application for anti-trust immunity of the American Airlines joint business agreement to the US Department of Transportation, and is growing its China presence with China Eastern joint business. 8. Assuming no change to Fuel and competitive environment. 9. Comparatives restated to reflect the consolidation of Qantas Freight into the Qantas International segment.

Jetstar Group

- Record first half Underlying EBIT and Operating Margin
- Record Domestic result¹, Unit Revenue up 7%
- Strong International² earnings¹
- Jetstar's Asian airlines portfolio³ was profitable
 - Jetstar Japan maintained LCC⁴ leadership position⁵
 - Jetstar Pacific improved earnings performance¹
- Growing International network into Bali, Vietnam and China and its territories
- Continuing investment in digital transformation, operational improvements and customer experience
 - Next phase of service training for more than 3,000 team members
 - Cabin Enhancement Program for A321 retrofit complete and A320 retrofit underway
 - Club Jetstar continued growth with more than 195,000 members⁶
 - New and innovative payment options launched

| | | 1H18 | 1H17 | VLY % |
|----------------------|-----|--------|--------|--------|
| Revenue ⁷ | \$M | 1,936 | 1,859 | 4.1 |
| Underlying EBIT | \$M | 318 | 275 | 15.6 |
| Operating Margin | % | 16.4 | 14.8 | 1.6pts |
| ASKs | M | 24,845 | 24,722 | 0.5 |
| Seat factor | % | 85.7 | 83.3 | 2.4pts |

PROFITABLE MODEL WITH SIGNIFICANT GROWTH POTENTIAL

1. Underlying EBIT. 2. Includes Jetstar International Australian operations, Jetstar New Zealand (including Jetstar Regionals), Jetstar Asia (Singapore), Jetstar Japan and Jetstar Pacific. 3. Includes Jetstar Asia (Singapore), Jetstar Japan and Jetstar Pacific. 4. Low Cost Carrier. 5. Measured as percentage of market share based on ASKs for 1H18. Source: Diio Mi. 6. Members as at 13 February 2018. Launched in Japan and Singapore in 1H18, continued member growth in Australia and New Zealand following relaunch in May 2017 and June 2017 respectively. 7. Revenue consolidated by the Qantas Group, does not include Jetstar Japan and Jetstar Pacific.

Qantas Loyalty

- Record first half Underlying EBIT result
 - Strategy to mitigate interchange fee regulatory change on track
- Coalition Business fundamentals strengthening
 - Co-branded credit card growth outpacing market¹; increases in member earn per credit card²
 - 48 new retail earn partners
 - Additional 'Everyday Earn' partners to commence in fourth quarter of FY18
 - Qantas Business Rewards membership growth³ supports the broader SME strategy
- Scaling of New Businesses supported by digital and marketing assets
 - Assure Health #1 brand in market for growth⁴ with one of the lowest premium increases⁵
 - Launch of the Qantas Premier Everyday card; strong take up of Qantas Premier Platinum card⁶

| | | 1H18 | 1H17 | VLY % |
|------------------|-----|------|------|-------------------|
| Revenue | \$M | 763 | 743 | 2.7% |
| Underlying EBIT | \$M | 184 | 181 | 1.7% |
| Operating Margin | % | 24.1 | 24.4 | (0.3)pts |
| QFF Members | M | 12.0 | 11.6 | 3.9% ⁷ |

GROWTH AND DIVERSIFICATION OF EARNINGS

1. Based on number of credit card accounts with interest free periods. December 2017 compared to June 2017. Source: RBA credit and card charges statistics. 2. Compared to 1H17. 3. Members at December 2017 compared to June 2017. 4. Based on 12 months to June 2017 growth in net persons insured. Source: APRA Operations of Private Health Insurers Annual Report 2016-2017 and nib policyholder data. 5. Increases effective 1 April 2018. Includes all Qantas Assure products as at 8 December 2017. Source: Australian Government Department of Health, excludes the Australian Government Rebate. 6. Qantas Premier Platinum card launched in June 2017 and Qantas Premier Everyday card in December 2017. 7. Adjusted to remove the impact of rounding of member numbers.

Financial Framework

Financial Framework Aligned with Shareholder Objectives

1. Maintaining an Optimal Capital Structure



Minimise cost of capital by targeting a net debt range of \$5.0b to \$6.2b¹
(See slide 15)

2. ROIC > WACC² Through the Cycle



Deliver ROIC > 10%³ through the cycle
(See slides 16 to 17)

3. Disciplined Allocation of Capital



Grow invested capital with disciplined investment, return surplus capital
(See slides 18 to 19)



MAINTAINABLE EPS⁴ GROWTH OVER THE CYCLE



TOTAL SHAREHOLDER RETURNS IN THE TOP QUARTILE⁵

Maintaining an Optimal Capital Structure

Leverage and liquidity

Optimal capital structure

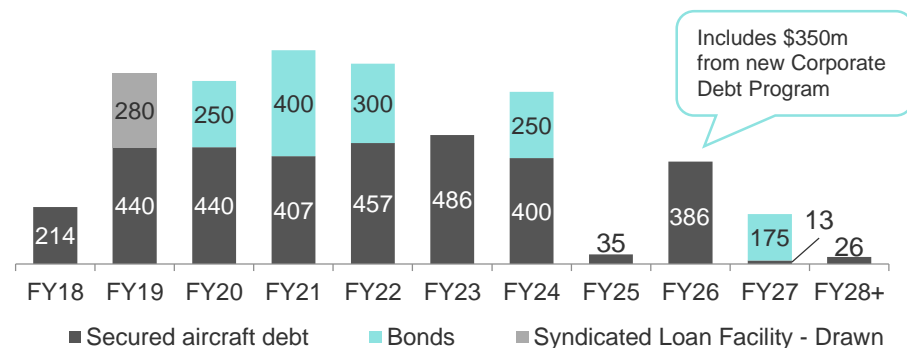
- Net debt¹ at \$5.1b, towards the bottom of the range
- Established innovative A\$ Corporate Debt Program
 - First issuance - 8 year tenor; \$350m
 - Debt secured by portfolio of mid-life aircraft
- Unencumbered aircraft valued at ~US\$3.7b²
 - 60% of Group fleet³
 - 2 new 787-9s added to the pool in 1H18
- Investment Grade credit ratings from Moody's (Baa2) and S&P (BBB-)

Strong short term liquidity

- Cash of \$1.8b⁴; Undrawn facilities of \$1b

Lowers cost of debt

Debt Maturity Profile as at 31 December 2017 (\$M)⁵



MAINTAINING OPTIMAL CAPITAL STRUCTURE DELIVERS LOWEST WACC

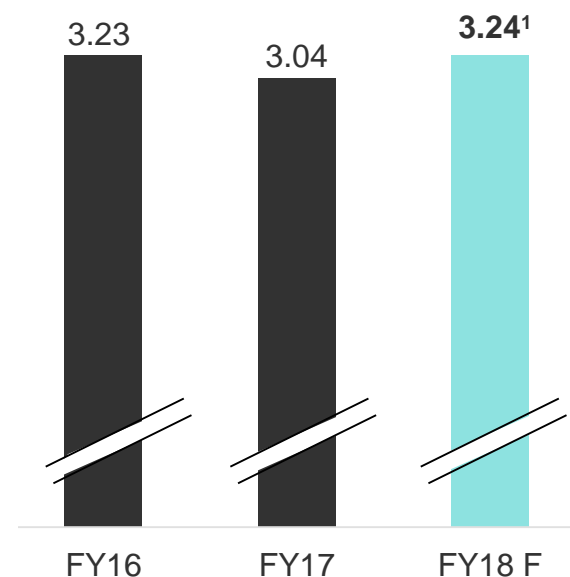
1. Net debt includes on balance sheet debt and aircraft operating lease liabilities under the Group's Financial Framework. Capitalised aircraft operating lease liabilities are measured at fair value at the lease commencement date and remeasured over lease term on a principal and interest basis akin to a finance lease. Residual value of capitalised aircraft operating lease liability denominated in foreign currency is translated at the long-term exchange rate. 2. Based on AVAC market values. 3. Based on number of aircraft as at 31 December 2017. The Group fleet totalled 310 aircraft. 17 Aircraft entered the Corporate Debt Program and 3 leased aircraft were refinanced to unencumbered aircraft in 1H18. 4. Includes cash and cash equivalents as at 31 December 2017. 5. Cash debt maturity profile excluding operating leases.

Delivering ROIC >10% Through the Cycle

Protecting ROIC through the disciplined hedging program

- FY18 fuel cost is expected to be ~A\$3.24b¹
 - Expected fuel cost is 81% hedged for the remainder of FY18, protection in place against adverse movements in fuel and FX
 - The level of options provide an average of ~20% participation² to declines in A\$ Brent prices for the remainder of the financial year
- FY19 hedging underway consistent with Qantas' long-term approach
 - FY19 expected fuel cost is 50% hedged
 - High proportion of options providing participation to favourable price movements
- Operational flexibility to mitigate rising fuel costs over the medium to longer term

FY18 Fuel Cost Outlook (A\$B)



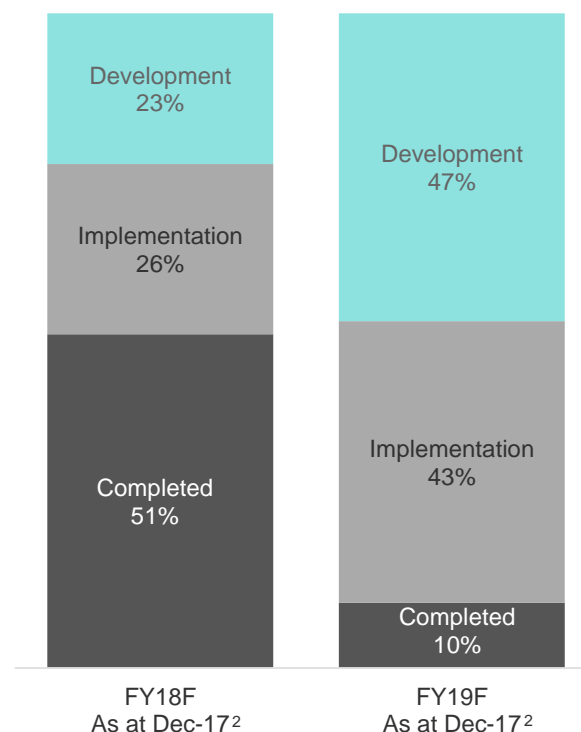
1. As at 15 February 2018. Expected fuel costs for the remainder of FY18 assume that the long term correlation between oil prices and the AUD/USD exchange rate holds. Actual fuel costs for FY18 could be impacted by a breakdown in this assumed correlation or by increases in refiner margins. 2. Participation from current market Brent prices down to A\$76/bbl for remainder of FY18. Assumes a correlated move in AUD/USD exchange rates and oil prices.

Delivering ROIC >10% Through the Cycle

FY18 Transformation status

- On track to deliver Transformation gross benefits of at least \$400m in FY18
 - \$181m delivered to date¹; Completed initiatives include revenue management system, commercial sourcing and contract renegotiations
- Initiatives to be implemented in 2H18 delivering full year benefits to FY19
 - Introduction of the 787-9 Dreamliner to Qantas International
 - London network and hub restructure; FY19 benefit valued at >\$80m
 - Commencement of Perth – London direct service using the 787-9 Dreamliner

Transformation Initiatives Status



ON TRACK TO DELIVER >\$400m GROSS BENEFITS IN FY18

Disciplined Capital Allocation

Disciplined capital expenditure

- FY18 and FY19 aggregate net capital expenditure¹ of \$3.0b, net of asset sales, no change to prior guidance
- Net capital expenditure of \$962m in 1H18
- Net debt towards the bottom of the target range
- Continued generation of sustainable positive net free cash flow², \$772m in 1H18, up \$484m³
- Capex allocations determined by whether it enhances shareholder value and generates sufficient free cash flow to:
 - Maintain net debt within the target range
 - Support base dividend
- Any additional surplus capital prioritised to value creating investment opportunities or returned to shareholders

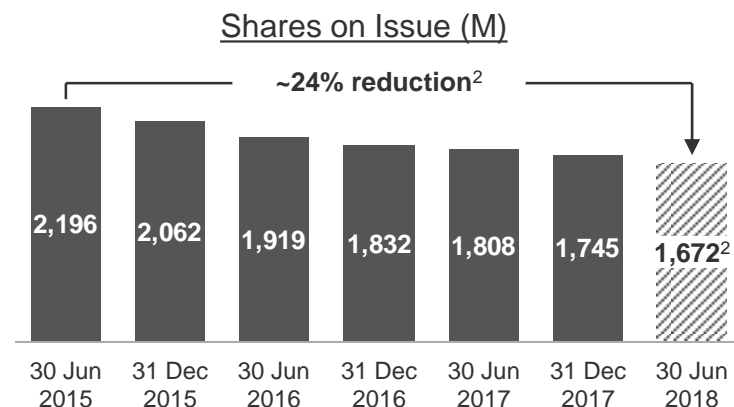
DISCIPLINED ALLOCATION OF CAPITAL TO INCREASE SHAREHOLDER VALUE

1. Equal to net investing cash flows included in the Consolidated Cash Flow Statement (excluding aircraft operating lease refinancing) and the impact to Invested Capital from the disposals/acquisitions of operating leased aircraft. 2. Net cash from operating activities less net cash used in investing activities (excluding aircraft operating lease refinancing). 3. Compared to 1H17.

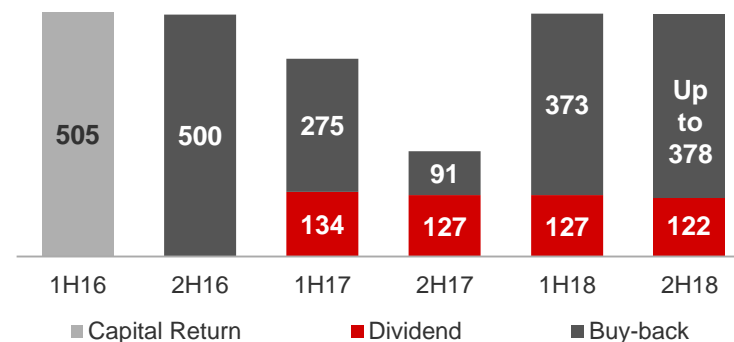
Disciplined Capital Allocation

Shareholder distributions

- Completed on-market share buy-back of \$373m in 1H18
 - 3.5% of issued capital purchased
 - 20.5%¹ reduction in shares on issue since Oct 2015 at an average price of \$3.90
- On-market share buy-back of up to \$378m announced
 - ~24%² reduction in shares on issue at completion of this buy-back
- Base interim dividend of 7 cents per share declared, unfranked totalling \$122m
- Future dividends will be unfranked until tax payments resume
 - Carried forward income tax losses estimated at \$368m as at 31 December 2017



Track Record of Delivering Shareholder Returns (\$M)



>\$2.6B OF CAPITAL RETURNS³ TO SHAREHOLDERS SINCE OCTOBER 2015



Building Long-Term Shareholder Value

Customer and Innovation

Looking forward

- Complete redevelopment of Sydney International Business Lounge to increase capacity by 30%
- Melbourne Domestic Lounge upgrade underway
- Interior refresh of 45 QantasLink turboprops
- Rollout of Wi-Fi on 737-800s
 - Installed on >30% of fleet to date; majority by the end of 2018
- Ongoing development of Project Sunrise to achieve the goal of direct flights to London and New York from the east coast of Australia by 2022
- Jetstar Cabin Enhancement Program
 - A321 retrofit complete, A320 retrofit program underway
- Qantas established an innovation accelerator program, AVRO, to partner and invest in early and growth stage technology companies
 - 13 companies from AVRO 2017; 4 secured trials or commercial deals, 2 investments
 - AVRO 2018 opens in April



Fleet Strategy

Jetstar

- Commencing replacement of the current Jetstar A320/A321CEO fleet with A321LR NEOs in calendar year 2020
 - Initial 18 aircraft of 99 aircraft firm order to be delivered over 2 year period
- Benefits of A321LR NEO introduction to Jetstar
 - Scale and fuel efficiency in Domestic service
 - Extended range capability enabling enhanced International flying options
 - Provides fleet flexibility enabling some 787-8 redeployment to additional leisure destinations



Qantas International

- 787-9 deliveries to continue through 2018
 - Aircraft 3 received January 2018, next five 787-9 deliveries by end of calendar year 2018
- Retirement of 4 oldest 747-400 by the end of calendar year 2019; Retaining 6 youngest 747-400ER aircraft



People – Qantas Group Pilot Academy

- Fleet renewal and network growth driving largest pilot recruitment and training initiative in the Qantas Group's 97 year history
- Since 2016, hired over 600 new pilots with ongoing recruitment to meet Group requirements
- Qantas Group Pilot Academy to be established during 2019
 - Initial focus on training up to 100 cadet pilots per year for direct entry to Qantas Group
 - Capability to become a major training centre to meet strong demand for pilots in the region
- Investing up to \$20m in FY19



TRAINING THE NEXT GENERATION OF PILOTS

Outlook

2H18 Outlook – Domestic and International Operating Environment

- Healthy consumer demand growth consistent with an improved global outlook
- 2H18 planned Group capacity to increase by ~1%¹
- Group Domestic capacity expected to decrease by ~1%¹, expecting continued Unit Revenue growth¹, albeit at a lower rate than 1H18² given 2H17 Unit Revenue growth of 7%³
 - Continued healthy business and leisure demand despite the less favourable alignment of school holidays and Public holidays
- Group International capacity expected to increase by ~2-3%¹
 - Unit Revenue increased by 0.8% in 1H18², this positive trend is expected to continue into 2H18¹ despite competitor growth of ~5%¹
- Qantas retains significant flexibility to respond to market conditions

FY18 Group Outlook

- Current Group operating expectations:
 - FY18 fuel cost expected to be no more than \$3.24b¹
 - FY18 net depreciation and non-cancellable aircraft operating lease rentals expected to be ~\$70m higher than FY17
 - FY18 depreciation and amortisation expense expected to be ~\$150m higher than FY17
 - FY18 non-cancellable aircraft operating lease rentals expected to be ~\$80m lower than FY17
 - FY18 transformation benefits (cost, fuel efficiency and net revenue) expected to be >\$400m
 - FY18 inflation impact on expenditure forecasted to be ~\$250m (including wage growth)
 - Capital expenditure², net of asset sales, expected to be \$3.0b for FY18 and FY19 combined



Questions?

Disclaimer & ASIC Guidance

This Presentation has been prepared by Qantas Airways Limited (ABN 16 009 661 901) (Qantas).

Summary information

This Presentation contains summary information about Qantas and its subsidiaries (Qantas Group) and their activities current as at 22 February 2018, unless otherwise stated. The information in this Presentation does not purport to be complete. It should be read in conjunction with the Qantas Group's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au.

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Financial data

All dollar values are in Australian dollars (A\$) and financial data is presented within the six months ended 31 December 2017 unless otherwise stated.

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Forward looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

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